

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Auction of Licenses in the	)	
747-762 and 777-792 MHz Bands	)	
Scheduled for September 6, 2000	)	DA 00-1075
	)	
Comment Sought on Modifying the	)	
Simultaneous Multiple Round Auction Design	)	
to Allow Combinatorial (Package) Bidding	)	

JUL 18 2000

**COMMENTS OF NEXTEL COMMUNICATIONS, INC.**

Nextel Communications, Inc. ("Nextel"), by its attorneys, hereby comments on the Commission's proposal to adopt combinatorial bidding for the upcoming 700 MHz auction.<sup>1</sup> Nextel supports the proposal and urges the Commission to implement combinatorial bidding promptly for auctions in which there are likely to be strong complementarities among licenses. Because of the small number of licenses available and the exposure problems that are likely to be faced by 700 MHz auction participants, the 700 MHz auction is particularly suited for the Commission's first use of combinatorial bidding.

**I. COMBINATORIAL BIDDING REDUCES BIDDERS' EXPOSURE PROBLEMS.**

As the Commission stated in the Public Notice, combinatorial bidding is an improvement over the Commission's usual auction design of allowing bids on only a license-by-license basis when (1) there are strong complementarities among licenses for some bidders, and (2) the pattern

---

<sup>1</sup> Auction of Licenses in the 747-762 and 777-792 MHz Bands Scheduled For September 6, 2000; Comments Sought on Modifying the Simultaneous Multiple Round Auction Design to Allow Combinatorial (Package) Bidding, *Public Notice*, DA 00-1075 (released May 18, 2000). ("Public Notice").

of those complementarities is different for different bidders.<sup>2</sup> Expected to be used primarily for “3G” and advanced wireless services, any carrier acquiring a 700 MHz license will face significant costs to design a network and develop equipment to work in the 700 MHz band. Licensees may face significant costs in relocating incumbent broadcasters. Accordingly, for many auction participants, it may not be cost effective to acquire 700 MHz licenses unless a certain minimum level of coverage is achieved. Given the uncertainties of relocation, new technology and the need for a large footprint, parties will need some comfort in the auction process that they can acquire the licenses they need to justify making such a significant investment

Combinatorial bidding allows bidders to enter the auction and bid according to their license valuation models without fear that they will become “stuck” with an incomplete group of markets at uneconomic prices. Without combinatorial bidding, carriers face real exposure risk in attempting to accumulate a set of complementary licenses to form a viable business. Because, under various bidding strategies, companies may bid strategically – and perhaps insincerely – to increase the price of license aggregation, an otherwise deeply interested bidder may react to strategic bidding by reducing or curtailing its participation in the auction. This outcome is undesirable given Congress’ intent that the parties that most highly value the spectrum be able to obtain it through competitive bidding.

Combinatorial bidding can reduce or eliminate the exposure problem by allowing interested bidders to bid on a package of licenses on an all-or-nothing basis. Under combinatorial bidding, if the package is valued higher by the package bidder than by others bidding on individual licenses, the package bidder will prevail. If, however, others bidding on

---

<sup>2</sup> Public Notice at 2.

individual licenses cumulatively value those licenses higher than does the package bidder, the individual bidders will prevail and the package bidder will not be left with a handful of non-complementary markets that were not valued highly by the individual license bidders. *All parties benefit under combinatorial bidding because all parties can bid freely without exposure risk, ensuring that the licenses are awarded to the party or parties that value them the most.*

## **II. COMBINATORIAL BIDDING SHOULD BE USED FOR THE 700 MHZ AUCTION.**

Because the record in the 700 MHz proceeding shows that different parties are likely to value different aggregations of 700 MHz spectrum, the adoption of combinatorial bidding, in addition to the current option to bid on a license-by-license basis, is especially appropriate for this auction. The record contains support for the nine packages proposed by the Commission and they should be adopted.<sup>3</sup> The Commission should not, however, allow bidders to create their own packages. Expanding the number of packages would add excessive complexity to the auction as bidders and the Commission struggle to determine the high bidders from numerous bidding combinations. As this is the first use of combinatorial bidding, the Commission's priority should be to ensure that combinatorial bidding works. Keeping the package options simple will assist bidders and the Commission in their efforts to use this new bidding procedure.

Additionally, because combinatorial bidding has not been used before, Nextel urges the Commission to budget the time and resources necessary to fully test the new systems. To give bidders an opportunity to understand the new bidding process, the mock auction for the 700 MHz auction should be lengthened and should take place well in advance of the actual auction date

---

<sup>3</sup> The nine packages proposed by the Commission are composed of: (i) one global package of all licenses in the auction (*i.e.*, 30 MHz nationwide); (ii) two national packages of either all six 10 MHz licenses or all six 20 MHz licenses; and (iii) six regional packages of both the 10 MHz license and the 20 MHz license in a region. *See* Public Notice at 3-4.

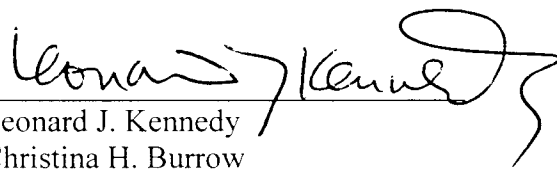
even if this necessitates a delay in the auction. This will allow both prospective bidders and the Commission to fully test and fine-tune their systems and processes for combinatorial bidding.

**III. COMBINATORIAL BIDDING SHOULD BE FULLY DEVELOPED AS QUICKLY AS POSSIBLE.**

Nextel supports the proposals in the Public Notice to implement combinatorial bidding for the 700 MHz auction. An initial test of combinatorial bidding during an auction with only a few licenses, such as the 700 MHz auction, will give the Commission valuable experience in using this newly developed bidding technique. Nextel urges the Commission to take all steps necessary to promptly and fully develop combinatorial bidding.

Respectfully submitted,

**NEXTEL COMMUNICATIONS, INC.**

  
Leonard J. Kennedy  
Christina H. Burrow

**DOW, LOHNES & ALBERTSON, PLLC**  
1200 New Hampshire Avenue, N.W.  
Suite 800  
Washington, D.C. 20036-6802  
(202) 776-2000

**NEXTEL COMMUNICATIONS, INC.**  
2001 Edmund Haley Drive  
Reston, VA 20191  
(703) 433-4000  
Robert S. Foosaner  
Senior Vice President and Chief Regulatory Officer

Its Attorneys

June 9, 2000

## CERTIFICATE OF SERVICE

I, Roberta L. Rosser, certify that I caused a copy of the foregoing Comments of Nextel Communications, Inc. to be served on June 9, 2000 , via hand delivery upon the following:

International Transcription Service, Inc.  
1231 20th Street, N.W.  
Washington, DC 2036

Office of Media Relations  
Public Service Center  
445 Twelfth Street, S.W., Suite CY-A257  
Washington, DC 20554

Rana Shuler  
Auctions and Industry Analysis Division  
Wireless Telecommunications Bureau  
445 Twelfth Street, S.W., Suite 4-A628  
Washington, DC 20554

  
Roberta L. Rosser